HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Hamilton and Brantford CMAs

CANADA MORTGAGE AND HOUSING CORPORATION

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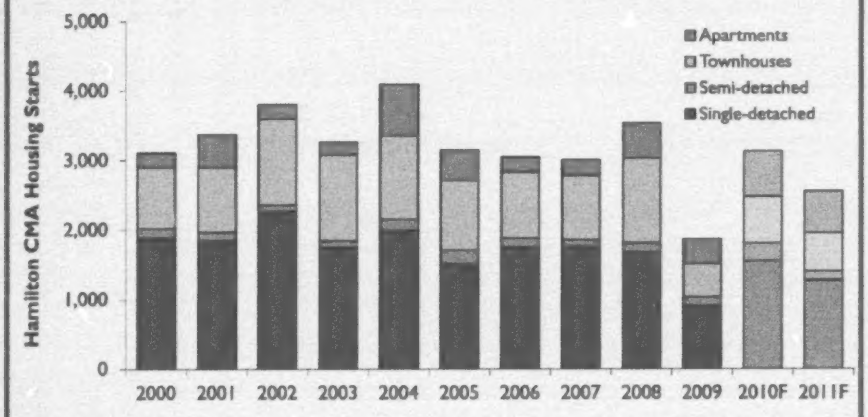
Market at a Glance

- Resale market moving towards more balance in 2011
- Only modest changes in mortgage rates and home prices mean any impact on affordability will be limited
- New home starts will fall in the fourth quarter of 2010 before gradually strengthening over the course of 2011. Despite the recovery, 2011 starts will not reach the 2010 level.

Figure 1

Fewer Single-Detached Home Starts in Hamilton CMA



Source: CMHC forecasts

[1]The forecasts included in this document are based on information available as of October 8, 2010.

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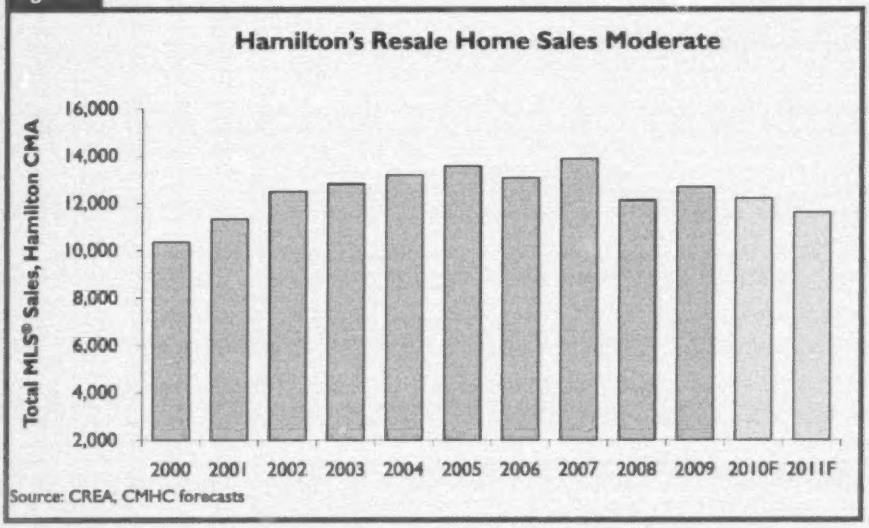
Figure 2



Resale Market

MLS® sales will gradually improve in 2011

While MLS® sales will soften on an annual basis next year, monthly sales have stabilized and will exhibit a gradual improvement through 2011 in both the Hamilton CMA and Brantford CMA. Momentum in the resale market diminished after the early part of this year. Sales reached a record early on in 2010, with the help of buyers who had put off making home purchases from 2009 and from potential buyers who were expecting to purchase a home at a later date in 2010 or beyond. As a result, a "pull-forward" effect in home purchasing occurred. Gradually improving job markets and stronger migration will add to housing demand, while a small improvement in affordability will have a relatively neutral effect on the housing recovery.

After a small increase in 2010, mortgage carrying costs will decline slightly in 2011. This means the required income to buy a home will be easing while actual incomes for most households will be rising. The changes will be quite small and have little impact on current home owners who typically have higher and more stable incomes. However, for potential first-time buyers the small improvement in affordability may be the factor which will persuade them to buy in 2011. Consequently, first-time buyers will be gradually returning to the market, reinforcing the gradual recovery in existing homes sales expected over the course of 2011.

Despite the small improvement in affordability, many first-time buyers will be still be looking to smaller and relatively less expensive home types. The shift towards the less expensive homes will be a factor keeping the average resale price flat or slightly declining.

Listings to mirror sales

New listings of resale homes declined in the third quarter, and the trend is expected to continue through the end of 2010. In 2011, new listings will rise gradually. Fewer buyers in the market led to an increase in the number of days a home is listed on the market, and many potential sellers will hold off listing their homes until prices rebound.

Although listings have historically come from the "move-up" buyer group – typically classified as those between in their forties and early fifties – they will be declining in numbers in the Hamilton CMA through 2011 and beyond. This will mean fewer purchases will be made by this group, and fewer homes will be listed for sale.

Figure 3

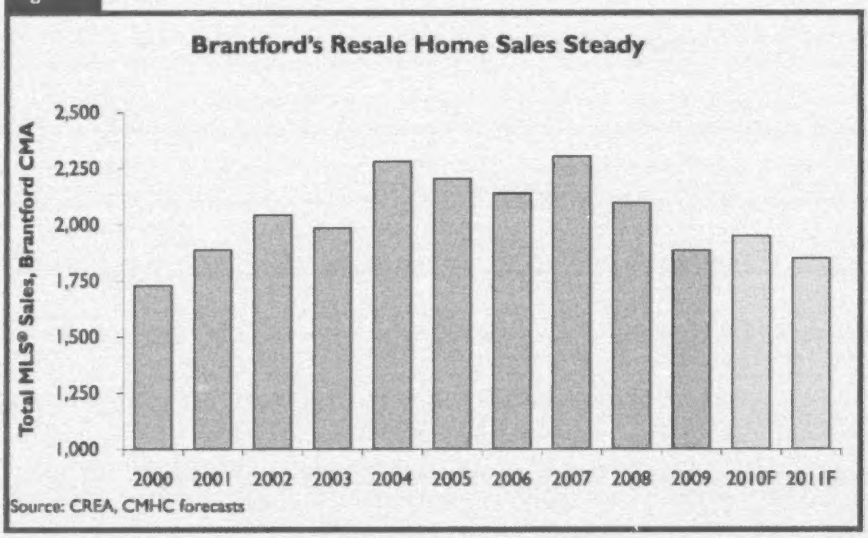
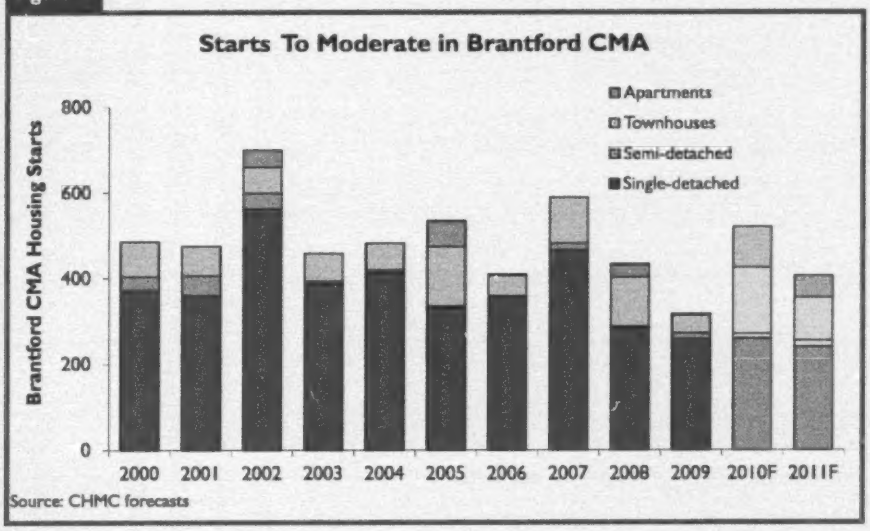


Figure 4



Downsizers or those typically aged 65 and above, tend to move into smaller homes several years after they retire and/or after their children have moved out. Demographic data suggests that the size of this age group is increasing at a gradual pace and will peak closer to a decade from now. More listings – likely single-detached homes – will be coming from this group.

Stable housing prices next year

Resale home prices in the Hamilton CMA are up again, following a brief period of decline. However, prices will remain stable on an annual basis next year as gradually improving sales will be offset by more sales at lower price points. The average price for the three municipalities that make up the CMA were $261,000, $378,000, and $313,000, for each of Hamilton, Burlington, and Grimsby, respectively as of the end of the third quarter.

In Brantford, resale market prices won't decline, but growth will slow in 2011. New home prices have spiked upwards, widening the price gap between new and resale homes. The lower prices in the resale market means more buyers will turn to the resale market for their next home, and offer increasing competition to the new home market.

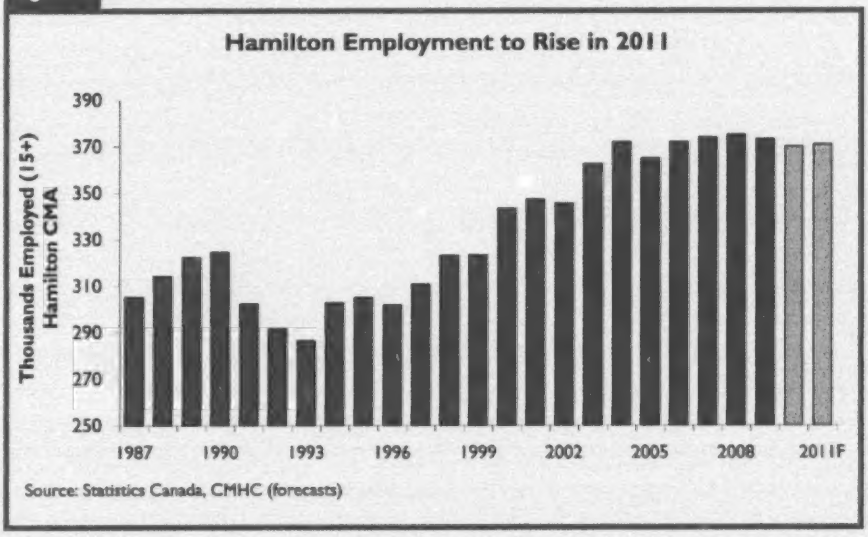
New Home Market

New home starts up this year

New home starts will surpass 3,000 starts this year in the Hamilton CMA. Both demand and supply of new homes surged earlier this year, as buyers returned to the housing market. The introduction of the new Harmonized Sales Tax (HST) during the third quarter meant that as of July 1st, buyers purchasing new homes with price tags over $400,000 faced higher total costs. A small bump up in new home completions in the months leading up to July indicated that there was some hustle amongst buyers to purchase and close on homes prior to the implementation of the new tax.

New home starts will fall in the fourth quarter of 2010 before gradually strengthening over the course of 2011. Despite the recovery, 2011 starts will not reach the 2010 level. While some of the decline will be due in part to fewer single-family homes, it is expected that starts of all homes will decline as result of the changing demographics. The diminishing size of the move-up buyer group will translate into fewer prospective buyers looking for large new homes, and thus lead to more modest growth in new home prices over the medium term.

Figure 5



In Brantford, more new homes in the fourth quarter will push starts to their highest level since 2007. Several publicly-funded housing projects pulled up starts in 2010, and starts will fall back to more modest levels next year. Single-detached starts will continue to rise, and some builders will migrate to the Brantford area because there is land available for development.

Resale prices measuring up to new

New home prices in Hamilton are on the move again following a period of decline and lower than average pace of growth. The trend in both the average and median prices was up during the third quarter, though a widening gap between the two suggested there were more lower-priced homes priced at the lower end of the scale. The New Home Price Index, which measure price changes for homes with the same characteristics, also rose by nearly one per cent during August due in part to builders moving to new areas with higher land development fees.

Higher prices in the resale market this year means that the gap between new home prices and resale prices, at least for single-detached homes, is closing. The average price of a single-detached home in the resale market was at or above $400,000 in Hamilton West, Ancaster, Dundas, and Flamborough during the third quarter. A narrowing price gap means competition for buyers from both markets is increasing and making the choice between purchasing a home with newer amenities and features as opposed to a home in a well-established community will be more difficult.

Prices in the new home market are expected to continue rising, though modestly, through 2011, while they will hold steady in the resale market as sales continue to cool off.

Custom homes in Brantford push prices up

Several new custom-designed homes were built in Brantford recently and drove up the average home price of a new single-detached home. These homes were built in some of the more rural areas outside of city, and have added to the supply of luxury homes in the Brantford area. The low number of homes that were left unsold last quarter indicates demand for new homes was strong. The new residential home market is expanding in Brantford with more new homes in areas outside the city where land for development is available. Single-detached homes will continue to be built in both the County of Brant and the City of Brantford, although higher-density housing such as townhouses will also be more prominent in the city. Demand for homes in Brantford has been strong despite the more fragile economic conditions.

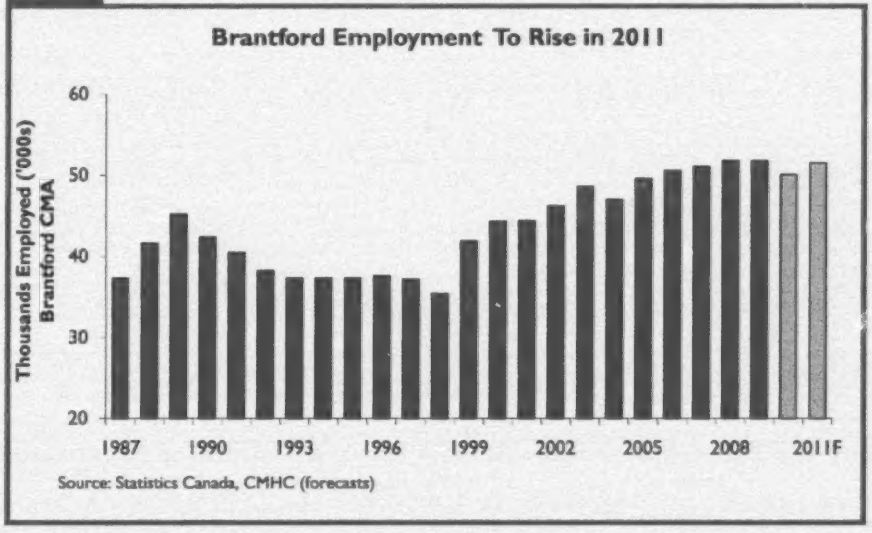
Economic Trends

Hamilton set to grow

Economic growth in the Hamilton CMA is set to strengthen in 2011, given the increasingly more stable job market. Jobs increased in the manufacturing sector in 2010 as some manufacturers built new facilities to accommodate their growth. More funding for research in the health sciences will also help make Hamilton a leader in the science field and boost job growth through 2011. The unemployment rate in the Hamilton CMA is forecast to continue falling through 2011 to 7.7 per cent.

In the Brantford CMA, jobs recovery in the primarily manufacturing-based economy has not been as strong. The weakness in the manufacturing sector has also affected the service-producing sector to some degree. However, an economic development strategy for the region has been put into place and focuses on developing industrial lands

Figure 6



and targeting priority sectors. This should help to improve job conditions, bringing the unemployment rate down to 9.6 per cent in 2011.

Mortgage rate outlook

According to CMHC's base case scenario, posted mortgage rates will remain flat in the second half of 2010 and in 2011. For 2010, the one-year posted mortgage rate is assumed to be in the 3.0 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.2 to 6.1 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 2.7 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.5 to 6.0 per cent range.

Forecast SUMMARY Hamilton CMA Fall 2010							
	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	13,866	12,110	12,680	12,200	-3.8	11,600	-4.9
MLS® New Listings	18,988	19,711	17,796	18,600	4.5	17,500	-5.9
MLS® Average Price ($)	268,857	280,790	290,946	312,000	7.2	310,000	-0.6
New Home Market							
Starts:							
Single-Detached	1,761	1,675	899	1,550	72.4	1,275	-17.7
Multiples	1,243	1,854	961	1,575	63.9	1,275	-19.0
Semi-Detached	94	132	134	250	86.6	125	-50.0
Row/Townhouse	922	1,224	473	675	42.7	550	-18.5
Apartments	227	498	354	650	83.6	600	-7.7
Starts - Total	3,004	3,529	1,860	3,125	68.0	2,550	-18.4
Average Price ($):							
Single-Detached	365,357	404,532	445,600	460,000	3.2	445,000	-3.3
New Housing Price Index (% chg.)	4.5	2.8	3.1	1.0	-	1.3	-
Rental Market							
October Vacancy Rate (%)	3.5	3.2	4.0	3.6	-0.4	3.2	-0.4
Two-bedroom Average Rent (October) ($)	824	836	831	835	-	840	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	3.47	-	3.20	-
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	5.59	-	5.20	-
Annual Employment Level	374,000	374,400	373,400	370,000	-0.9	371,000	0.3
Employment Growth (%)	0.6	0.1	-0.3	-0.9%	-	0.3%	-
Unemployment rate (%)	6.0	6.2	8.3	8.0	-	7.7	-
Net Migration	3,410	4,855	4,568	4,300	-5.9	4,600	7.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast SUMMARY
Brantford CMA
Fall 2010

	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	2,305	2,097	1,884	1,950	3.5	1,850	-5.1
MLS® New Listings	3,451	3,668	3,321	3,500	5.4	3,300	-5.7
MLS® Average Price ($)	209,151	218,890	220,369	230,000	4.4	234,000	1.7
New Home Market							
Starts:							
Single-Detached	466	283	258	260	0.8	240	-7.7
Multiples	123	149	59	190 **		145	-23.7
Semi-Detached	16	4	14	10	-28.6	15	50.0
Row/Townhouse	107	116	116	100	-13.8	80	-20.0
Apartments	0	29	3	80	**	50	-37.5
Starts - Total	589	432	317	520	64.0	405	-22.1
Average Price ($):							
Single-Detached	222,900	253,849	282,081	330,000	17.0	335,000	1.5
New Housing Price Index (% chg.) (Ont.)	2.6	3.5	0.1	n.a.	-	n.a.	-
Rental Market							
October Vacancy Rate (%)	2.9	2.4	3.3	2.9	-0.4	2.5	-0.4
Two-bedroom Average Rent (October) ($)	749	752	754	763	-	778	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	3.47	-	3.20	-
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	5.59	-	5.20	-
Annual Employment Level	51,100	51,800	51,800	51,500	-0.6	52,500	1.9
Employment Growth (%)	1.0	1.4	0.0	-0.6	-	1.9	-
Unemployment rate (%)	6.2	6.3	10.8	11.2	-	11.0	-
Net Migration	379	630	576	400	-30.6	450	12.5

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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